TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

SB 2046 - HB 2277

March 7, 2016

SUMMARY OF BILL: Requires the Commissioner of the Department of Labor and Workforce Development (DLWD) to set the state's minimum hourly wage rate at not less than $10.10 per hour, adjusted annually to reflect inflation in accordance with the consumer price index (CPI). Establishes a cause of action for employees if employers violate the state's minimum hourly wage rate. Sets the wage rate paid to blind persons employed by the state to the greater of the state minimum hourly wage rate or the federal minimum wage.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Exceeds $4,032,700

Increase Local Expenditures – Exceeds $200,000*

Assumptions:

- The Department of Human Resources (DOHR) reports a total of 1,651 current state employees that will require a wage increase as a direct result of this bill.
- Based on information provided by DOHR, the increase in state expenditures as a result of such wage increase is estimated to be $4,032,714 in FY16-17.
- Annual adjustments will increase recurring state expenditures every year there is an increase in the CPI; therefore, the recurring increase in state expenditures is reasonably estimated to exceed $4,032,714 in FY17-18 and subsequent years.
- The impact to local government expenditures is dependent on several unknown factors such as the number of local government employees that will be impacted by the bill, the extent in which each employee's wage must be raised to meet the requirements of the bill, the extent of any change in the number of hours that each employee works in a year, and whether local governments will decide to reduce their total number of employees as a result of higher wage expenses.
- Given the extent of unknown factors, a precise estimate for local government expenditures is difficult to determine. However, and based on the estimated impact to state government expenditures, the mandatory recurring increase in local government expenditures is reasonably estimated to exceed $200,000 per year as a result of increased wage expense to local government employees.
- The net impact to state and local government revenue is estimated to be not significant. This assumes additional state and local sales tax collections for state and local

governments respectively as a result of impacted employees spending a higher wage within the economy; however, any such impact is assumed to be offset by other reductions in state and local business tax collections occurring as a result of reduced net income for impacted business owners occurring as a result of paying higher wage expense.

- Any fiscal impact to the DLWD for the Commissioner to determine the appropriate minimum wage is estimated to be not significant.
- There will not be a sufficient number of minimum wage resolution cases for state or local government to experience any significant increase in revenue or expenditures.

IMPACT TO COMMERCE:

Increase Business Revenue – Exceeds $50,000

Increase Business Expenditures – Exceeds $100,000

Jobs Impact – Net Impact - Not Significant

Assumptions:

- The extent of any increased business expenditures is dependent upon several unknown factors such as the number of Tennessee business entities impacted by the bill, the number of employees that will receive the pay increase, and the extent of any change in the number of hours that such employees work in a year, and whether the impacted business decides to reduce their total number of employees as a result of higher wage expenses. Given these unknowns, determining a precise estimate for increased business expense is difficult. However, the cumulative and recurring increase in business expense for Tennessee businesses is reasonably estimated to exceed $100,000 per year statewide.
- A portion of the additional wages paid as a result of this bill will be spent in the Tennessee economy. As a result, other Tennessee businesses will experience an increase in business revenue as the additional income is spent in the Tennessee economy. Assuming at least 50 percent of such additional income is spent with Tennessee businesses, the increase in business revenue is reasonably estimated to exceed $50,000 per year.
- Given that wage expenses will increase for some employers, this could result in some companies reducing their number of employees to account for the higher wages. However, the additional wages being spent in the economy may increase demand for goods and services within the economy, thereby increasing the number of jobs for other businesses. The net impact to the number of Tennessee jobs is considered not significant.

*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Krista M. Lee

Krista M. Lee, Executive Director

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